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DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON, D.C. 20330



25 SEP 1974

Dr. Edward Proctor  
Deputy Director for Intelligence  
Central Intelligence Agency  
Washington, D.C. 20505

Dear Ed

(C) I read with considerable interest the costing study on the PRC (SR IR 74-5) which I received recently from [redacted] 25X1  
While confined to procurement costs, it is a good start toward eventual costing of the entire PRC military establishment.

(C) The text of the report quite properly cautions the reader that it does not cost RDT&E, investment, personnel, and O&M; that lack of data makes estimates of the total Chinese defense burden tenuous; and that (as the Soviets have so amply demonstrated) declines in procurement, together with increased RDT&E capabilities, may portend increased future procurement of major systems.

(C) However, the net impact of the conclusions and graphics on the reader could lead to the interpretation that short term fluctuation in one segment of procurement (aircraft) signals a continued decline in the total. Taken in proper perspective, the short range trend in military procurement should be viewed as a possible warning signal of renewed development efforts rather than as an indication of a change in emphasis and a reduced military effort.

(C) I think it unfortunate that the procurement category "other," straight-lined and representing 52% of the total, could not be allocated in the charts which depict fluctuating procurement by type system. Such treatment of over half of the estimated procurement cost suggests an extensive area of unknowns.

USAF review(s) completed.


Classified by: ACS/2, AF/USAF  
SUBJECT: [redacted]  
INCLUST: [redacted]  
OF [redacted]  
AUTOMAT: [redacted]  
AT TWO [redacted]  
DECLASSIFIED BY [redacted]  
31 DECEMBER 1980

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(U) I urge concentration on improvement of dimensioning data to the point that other Chinese military cost generating elements can be covered.

Warmest regards

Cy to: D/DCI/IC (Gen Wilson)

  
GEORGE J. KEEGAN, JR.  
Major General, USAF  
Asst Chief of Staff, Intelligence

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*file defense*

MEMORANDUM FOR:

Here's the Keegan memo I talked to you about. Do you think you could have a draft reply for us by about 4 October?

27 Sep 74  
(DATE)

FORM NO. 101 REPLACES FORM 10-101  
1 AUG 54 WHICH MAY BE USED.

(47)

*4 October*

25X1

*CIR has drafted reply*

25X1